

**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MASSACHUSETTS**

SCOTT L. BAENA, Litigation Trustee	:	04-CV-12606-PBS
of the Lernout & Hauspie Speech Products,	:	
N.V. Litigation Trust,	:	
	:	
Plaintiff,	:	
	:	
v.	:	
	:	
KPMG LLP and KLYNVELD PEAT	:	
MARWICK GOERDELER	:	
BEDRIJFSREVISOREN,	:	
	:	
Defendants.	:	

**DECLARATION OF DAVID W. TRENCH IN SUPPORT  
OF PLAINTIFF'S OPPOSITION TO KPMG BELGIUM'S MOTION  
TO DISMISS THE COMPLAINT**

David W. Trench, Esq. deposes and says:

1. I am an attorney admitted to practice in this District *pro hac vice* and am a partner at the law firm of Bilzin Sumberg Baena Price & Axelrod, LLP, counsel for Plaintiff. Based on my knowledge as counsel in this action, I submit this declaration in support of Plaintiff's Opposition to KPMG Belgium's Motion to Dismiss the Complaint.

2. Attached are true and correct copies of the following documents:

<u>Document</u>	<u>Exhibit</u>
Excerpts from October 7, 2003 Deposition of James Boyer by Officials of the Belgian Government	A
Excerpts from October 6, 2003 Deposition of Glen Davison by Officials of the Belgian Government	B
Excerpts from January 19, 2001 Testimony of Robert P. McLamb before the United States Securities and Exchange Commission	C

Excerpts from February 28, 2001 Testimony of Glen Davison before the United States Securities and Exchange Commission D

Excerpts from March 1, 2001 Testimony of Glen Davison before the United States Securities and Exchange Commission E

KPMG Belgium's Invoices to L&H F

Excerpts from January 18, 2001 Testimony of Robert P. McLamb before the United States Securities and Exchange Commission G

KPMG Letter dated February 2, 2001 H

3. Pursuant to 28 U.S.C. Section 1746, I declare under penalty of perjury that the foregoing statements are true and correct.



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DAVID W. TRENCH, ESQ.

Dated: February 11, 2005.

**COMPOSITE EXHIBIT "A"**

**REQUEST FROM BELGIUM FOR ASSISTANCE  
IN THE MATTER OF LERNOT & HAUSPIE  
SPEECH PRODUCTION/KPMG**

**DEPOSITION OF:  
JAMES BOYER**

**OCTOBER 7, 2003 @ 11:00 AM**

2 A. Um, I would consider that a normal --  
3 a normal procedure for an engagement.

4 Q. And did you ever have discussions with  
5 people from L&H about the fees?

6 A. Yes.

7 Q. Can you explain with who and why  
8 and --

9 A. I recall discussions with Carl  
10 Dammekens about our fees particularly in 1999  
11 and early 2000. Because the fee estimates that  
12 we were providing to KPMG Belgium were  
13 increasing significantly. Because the -- the  
14 scope of the work that we were asked to perform  
15 by KPMG Belgium had increased. And Carl was  
16 concerned about the size of the fees. And like  
17 most of our clients, was interested in trying to  
18 keep the fees to a minimum.

19 BY MR. HEIMANS:

20 Q. Were separate fees arranged for  
21 different L&H entities such as the FLV Fund, FLV  
22 Foundation, LHIC, Mercator, and different  
23 individuals such as Jo Lernout, Pol Hauspie,  
24 Gaston Bastiaens, Carl Dammekens, and Nico  
25 Willaert; what was the fee structure for that?

2           A.     No, I don't. I don't recall the total  
3 amount of the fees.

4           Q.     Can you give us an estimate, a  
5 ballpark figure of the annual fees?

6           A.     Well, a rough ballpark of the fees I  
7 would say for, for, for fiscal year 1998, the  
8 fees for the work that I was responsible for  
9 would have been I would say less than \$200,000.  
10 Somewhere between 100, 100,000, less than 200.

11                     The fees for 1999, I would put a  
12 ballpark of somewhere around 200,000. Could  
13 have been, could have been 200, 250,000,  
14 somewhere in those, those are rough, rough  
15 ballpark figures.

16           Q.     I would now like to talk about the  
17 contacts and communications between KPMG U.S.  
18 and KPMG Belgium.

19                     Could you name the people from KPMG  
20 U.S. who were on the L&H account?

21           A.     Yes. And would you like a specific  
22 time period?

23           Q.     Yeah, 1998, '99 and 2000.

24           A.     Okay. The members of the team that I  
25 was responsible for in Boston would have

2 included several different managers. Those  
3 people included Katie Warren and Craig Campbell,  
4 Mike Maschio, Jason Neelan, Megan Upham. Those  
5 were managers and staff who were involved in the  
6 work that I was responsible for. That's for the  
7 period 1998, 1999. Those were not all the  
8 people. Those were key people who were on the  
9 engagement.

10 Q. And who were the KPMG Belgium people  
11 that were on the -- that were working on the L&H  
12 account?

13 A. Our primary contacts were Paul Behets,  
14 Stefan Huysman, Chantal Neste, and William van  
15 Aerde. Those were the principal people.

16 Q. And do you remember where these people  
17 were actually working, the Belgian people?

18 A. The Belgian --

19 MR. DE SMET: At what office?

20 A. My understanding was that they were in  
21 the Ghent office.

22 Q. Did you meet these people either in  
23 Belgium or in the U.S.?

24 A. Yes. In both, in both countries. I  
25 had traveled to Belgium for meetings and they

2 came to the U.S. for meetings as well.

3 Q. Could you specify some of these  
4 meetings or maybe we'll be talking about it  
5 later also, but maybe you could mention some  
6 specific occasions?

7 A. I recall a meeting in Belgium at the  
8 Lernout and Hauspie offices in Wemmel, recall  
9 having a meeting there with the KPMG Belgium  
10 team, and some of the individuals from Lernout  
11 and Hauspie. And then the timing of that, I  
12 don't, I don't recall exactly when that was, but  
13 it was -- it was in the 1998, 1999 time frame.

14 Q. Was there anything special on the  
15 agenda there?

16 A. My recollection is that was a planning  
17 meeting. It was an effort to bring KPMG people  
18 together to talk about the audit services, to  
19 get an update on the developments within the  
20 company.

21 Q. Do you remember any other meetings  
22 specifically?

23 A. There were meetings in the U.S. in  
24 Burlington. There was a meeting at the end of  
25 the -- toward the end of the 1999 audit which

2 was in January of 2000. I also recall a meeting  
3 in late 1999 in Burlington as well.

4 Q. Do you remember what these meetings  
5 were, about any specific topics?

6 A. The -- the meetings were either  
7 planning or what I would call sort of  
8 educational, and then the third was the report  
9 of our audit procedures and sort of a status  
10 update.

11 So if I sort of go in order,  
12 educational meetings, we would periodically have  
13 meetings with the company personnel and with  
14 KPMG Belgium to talk about technical accounting  
15 rules, specifically SOP 97-2 for revenue  
16 recognition. That would be an opportunity for  
17 us to present recent developments in technical  
18 accounting, and make sure that the company  
19 personnel were up to date in the latest  
20 developments.

21 Second was audit planning. That was  
22 an effort to sit down, understand what the  
23 developments were within the company, and then  
24 for KPMG Belgium to talk about the -- the  
25 anticipated audit plan.

2           Then, the third, in January of 2000,  
3       was to talk about the audit procedures and audit  
4       issues for the 1999 audit.

5           Q.     Did you also have direct contacts with  
6       L&H by e-mail, video conferencing, conversation,  
7       calls, etc.?

8           A.     Yes. I recall numerous conference  
9       calls and e-mails. I would say usually, KPMG  
10      Belgium was involved. If there were issues KPMG  
11      Belgium was involved, they weren't necessarily  
12      involved in every call, but they were involved  
13      in the issues.

14          Q.     Who were your contacts at L&H then  
15      that you communicated with?

16          A.     Our contacts could be Carl Dammekens,  
17      Jacques van Loo, we also dealt at times with  
18      Patrick de Schrijver, and Gaston Bastiaens,  
19      those were -- I would say that, that group was  
20      probably our primary contacts. I would also  
21      periodically have contacts with others.  
22      Including Jo Lernout and Pol Hauspie.

23          Q.     These contacts with the L&H people,  
24      were these on what frequency did you have  
25      contact with them; was that a monthly situation

2 or weekly or even daily?

3 A. Well, it would vary. It was certainly  
4 not a weekly, that frequently. It would be, I  
5 would say, I would say it was periodic during  
6 the course of the year, focused mostly at the  
7 time of our procedures that we were performing  
8 for KPMG Belgium.

9 Q. How much of your time did you spend on  
10 LHSP as part of your total activities?

11 A. Well, that would -- that would vary.  
12 To give you an idea, during the '98 and 1999, I,  
13 I had probably maybe 15 clients that were --  
14 that I was dealing with. Technology clients.  
15 So, I would split my time among those companies.  
16 At certain times I would be focused on the work  
17 for Lernout and Hauspie. At other times I  
18 was -- I would be focused on my other clients.

19 Q. Did they become more intensive; did  
20 you spend more time toward the end of '99 and  
21 the beginning of 2000?

22 A. Yes, that's correct.

23 Q. Could you say how much more or how  
24 much, what percentage of your time did you spend  
25 on L&H?

2           A.   Well, it's -- it's difficult for me to  
3   say what percentage of my time I spent. Having  
4   a number of clients, and I would say, that, that  
5   in December and January of December of 1999,  
6   January of 2000, I was very focused on L&H.  
7   Because of issues that we had come across during  
8   the course of the audit. So I did spend a  
9   considerable amount of time during that time  
10  period working on resolving the issues.

11          Q.   And that intensive work on L & H  
12  continued into the spring of 2000?

13          A.   Yes. We, in the spring of 2000, we  
14  were asked to perform quarterly reviews. So  
15  that work continued. And we continued to  
16  identify some issues.

17          Q.   Could you at this point in time  
18  specify your work that you and your team  
19  performed for L&H?

20          A.   For what period?

21          Q.   1998 through 2000.

22          A.   Okay. We, we would receive  
23  instructions from KPMG Belgium to perform  
24  limited reviews for quarterly results of L&H  
25  U.S. So we would on a quarterly basis perform

2 these review procedures. Then on an annual  
3 basis, we would be asked to perform audit  
4 procedures on the L&H U.S. financial  
5 information.

6 Q. Did the contents of your activities  
7 for L&H U.S.A. stay the same or did it change,  
8 was it different? Was there a different focus?

9 A. The activities stayed consistent.  
10 There were additional procedures to be  
11 performed. L&H had acquired a number of  
12 companies in the U.S., so the scope of the work  
13 that KPMG Belgium asked us to perform increased  
14 because of some of these new entities that were  
15 being acquired. And as a result of some of the  
16 acquisitions, there were additional audit  
17 procedures for auditing the opening balance  
18 sheets. So over time that did, that did  
19 increase.

20 Q. Did you also provide advice to L&H and  
21 its entities? In addition to the audit work?

22 A. Well, first of all, as part of the

24 on accounting issues, on, on required  
25 documentation and whatnot. That was a, that was

2 a continual, continual process. As I had  
3 mentioned previously, we would periodically hold  
4 meetings to discuss technical guidance with,  
5 with L&H.

6 So that was my -- that was in my view  
7 all part of the audit. As far as advice outside  
8 of the audit, I don't recall, I don't recall  
9 really providing advice outside of the audit for  
10 the U.S. segment that I was involved in.

11 Q. Did you bill those consulting  
12 activities separately or was it part of your  
13 complete integral part of the audit fees that  
14 you billed?

15 A. Those were -- those were typically  
16 part of the audit fees that we billed.

17 MR. DE SMET: Mr. Chairman, may I ask  
18 one question. There's no doubt about it that  
19 you were acting on behalf of the audit  
20 engagement of KPMG Belgium and you had to give  
21 any feedback to KPMG U.S. or not?

22 MR. CARROLL: You mean was he  
23 reporting to anyone at KPMG U.S.?

24 MR. DE SMET: Yes. Because the  
25 engagement partner was his -- was KPMG, eh, who

2 gave you, KPMG Belgium who gave you  
3 instructions, eh?

4 A. That's correct. That's correct.

5 MR. DE SMET: And the second part of  
6 my question that is did you report to KPMG U.S.  
7 in any way?

8 A. Yes, yes. For instance, for the 1999  
9 audit, that Bob McLamb was responsible for  
10 reviewing the work that I had performed in the  
11 U.S. segment.

12 MR. DE SMET: Okay, I see.

13 Q. Did you or your team ever resorted to  
14 or consult to the U.K. office, the KPMG office  
15 in U.K.?

16 A. We had interaction with the KPMG  
17 office in the U.K. And that was primarily in I  
18 think in two areas. One is that at one point  
19 Bob McLamb was, was located in KPMG London  
20 offices. And we had interaction with him and  
21 with Digby Wirtz as a partner who was located in  
22 London at the time.

23 My recollection is that there were  
24 also some tax issues that had -- that our --  
25 that KPMG London was involved in. Those were

2 organizations.

3 Q. And more specifically, with regard to  
4 the L&H audit, what was your understanding of  
5 the inter-relationships of the various entities?

6 A. My understanding was that KPMG Belgium  
7 had an engagement, an engagement letter  
8 particular with Lernout and Hauspie. Under that  
9 engagement letter, the terms of the letter, KPMG  
10 Belgium would provide audit and tax services.

11 KPMG Belgium then requested assistance  
12 from our KPMG member firms, to assist in  
13 carrying out audit procedures. That would  
14 enable KPMG Belgium to opine on consolidated  
15 financial statements of Lernout and Hauspie.

16 MR. SMET: Have you any idea of the  
17 statutes of the KPMG international -- I am  
18 asking everyone, but no one seems to know, but  
19 you talked about the loose association of  
20 separate entities who were members of KPMG. Do  
21 you know that statute?

22 A. No, I don't, I don't know the  
23 specifics.

24 (Pause)

25 MR. CARROLL: Do you want to know if

2 customer, now you had a second transaction where  
3 the customer would license their technology to  
4 L&H. And in each case, the, the value of each  
5 of those transactions was the same.

6 So, let's say it was a million  
7 dollars, that the customer licensed technology  
8 for a million, subsequently L&H licensed the  
9 customers technology for a million. So there  
10 was no need to have any cash in the transaction.  
11 Because the two -- the two offset each other;  
12 the customer didn't owe L&H anything, L&H didn't  
13 owe the customer anything.

14 MS. DE BRAEKELEER: Which customers  
15 were that?

16 A. My recollection is there were five of  
17 them. There was a company called Interpra,  
18 another one I believe was Speech Machines, then  
19 there was another company AVRI or AVRS,  
20 something similar to that, and I think there  
21 were a couple health care companies, HCOS, HSS  
22 or something like that. I may have the names, I  
23 may have the lettering mixed up. But there were  
24 a group of transactions, they were all similar.

25 MS. DE BRAEKELEER: With L&H U.S.A.

2 then; these were contracts with L&H U.S.A.?

3 A. Yes, these were all recorded by L&H  
4 U.S.A.

5 Now, these are very difficult  
6 transactions to try and understand, particularly  
7 because there are two pieces to it. And I spent  
8 and my team spent an enormous amount of time  
9 first of all trying to understand these  
10 transactions. And then, we spent a lot of time  
11 discussing these with the company. So that was  
12 one of the issues that came up and it was very  
13 very time consuming and very frustrating because  
14 it took us so long to, number one, gain an  
15 understanding of the transactions, and number  
16 two, come to, come to an agreement on what the  
17 proper accounting should be.

18 MS. BEECKMAN: What was that  
19 agreement?

20 A. Well, the agreement was that they  
21 should not be recognizing any revenue on these  
22 transactions.

23 MS. BEECKMAN: So that was the  
24 first --

25 A. That was an issue that went right to

2 significant amount of time analyzing that  
3 information, making sure we understood the  
4 arrangements and that the revenue recognition  
5 was appropriate.

6 As part of all that, they had various  
7 rebate programs, where they would offer rebates  
8 to customers. That if you buy the product, you  
9 can get a \$10 rebate, you can mail back to the  
10 company. We spent a lot of time making sure we  
11 understood the rebate programs, and looking at  
12 the accounting that the company had put in  
13 place.

14 BY MR. HEIMANS:

15 Q. And who did you communicate with about  
16 these issues? Who at L&H and KPMG Belgium?

17 A. Everyone. We discussed the issues at  
18 length with the KPMG Belgium team. We discussed  
19 the issues with Carl Dammekens, we discussed the  
20 issues with Gaston Bastiaens and others. And  
21 once again, once again, the part of the  
22 frustration here was that -- was that during  
23 1999 as we were doing our quarterly reviews, we  
24 were very clear in making recommendations to the  
25 company as to the documentation that needed to

2 company, but this was something we worked out  
3 with the company, we wanted to make sure it was  
4 resolved on a timely basis. And then on top of  
5 that, we come across these non-monetary  
6 transactions which we had not been told about  
7 previously. So, a lot of issues.

8 BY MS. BEECKMAN:

9 Q. How was communication with the rule of  
10 KPMG Belgium with your second issue about the  
11 sell through issue?

12 A. I'm sorry, could you repeat the  
13 question?

14 Q. What did they do to make things better  
15 on that part of the audit?

16 A. Well, part of my understanding was  
17 that they were, they were discussing this with  
18 Carl as well, making sure that the issue was  
19 addressed on a timely basis.

20 BY MR. HEIMANS:

21 Q. Did you insist with KPMG Belgium that  
22 a problem or a solution had to be found for this  
23 problem? Did you use KPMG Belgium as your  
24 intermediary to talk to L&H and insist on a  
25 solution to this particular problem?

2           A.     Yes. Any problems that we had, we  
3     would address through KPMG Belgium. So they  
4     weren't so much an intermediary, we were  
5     reporting into them, we would tell them what the  
6     issues were, and then we would then make sure  
7     that they understood what we were saying, and if  
8     we had recommendations, for instance, with the  
9     distributers, we needed to make sure that the --  
10    that the company had adequate documentation.  
11    And they would then work with the company to  
12    make sure that the company was addressing the  
13    documentation issue.

14 BY MS. BEECKMAN:

15           Q.     So that was the second issue. Is  
16    there a third?

17           A.     Well, the third issue was just the --  
18    the timely receipt of information on our part so  
19    we could perform our audit procedures. And meet  
20    the -- meet the time line that the company, the  
21    company wanted us to meet.

22           Q.     Was it just a question about timely or  
23    was it also a question about having all the  
24    information?

25           A.     Well, it was both. It was both. We

2 took proper action in order to address your  
3 comments; did they ask L&H Belgium to do the  
4 necessary things? Necessary measures, to take  
5 the necessary measures?

6 A. Yes, it was my understanding that they  
7 had communicated the issues that we helped  
8 identify.

9 MR. DE SMET: Communicated or  
10 insisted?

11 A. Well --

12 MR. DE SMET: There's a difference.

13 A. I know they had communicated the  
14 issues and that they had told me they  
15 communicated them in a way these were issues  
16 that needed to be resolved.

17 BY MS. DE BRAEKELEER:

18 Q. I was just trying to make clear, do I  
19 understand correctly that you were responsible  
20 for performing the audit procedures concerning  
21 L&H U.S.A. and then that you were reporting your  
22 conclusions to KPMG Belgium as the consolidating  
23 audit partner; is that right or not?

24 A. Yes, that's correct.

25 Q. Okay. But you were responsible for

2 performing the audit procedures for L&H U.S.A.  
3 or not?

4 A. Only L&H U.S.A. Those would be the  
5 instructions that I would receive from KPMG  
6 Belgium, I would report back to them on my  
7 findings. And then would combine those findings  
8 with the findings from other participating  
9 offices.

10 MR. DE SMET: Who was ultimately  
11 responsible, KPMG Belgium or KPMG U.S.A. and was  
12 KPMG Belgium not responsible for the global  
13 audit?

14 MS. DE BRAEKELEER: Of course.

15 BY MR. HEIMANS:

16 Q. In your activities, did you also have  
17 contact with the SEC?

18 A. In my activities for Lernout and  
19 Hauspie, I don't recall having contact with the  
20 SEC.

21 MR. CARROLL: Except for testimony.  
22 Did you mean to include any testimony? If he  
23 was asked questions about the SEC?

24 MR. HEIMANS: No.

25 MR. CARROLL: No, okay.

2 several times or --

3 A. Yes, it is fair to say we had to  
4 revisit that issue and that was one the issues  
5 that --

6 Q. Recurred?

7 A. Recurred, yes, yes.

8 Q. Are there other issues? Perhaps we  
9 can try then to have a definition of end of '99.  
10 More exactly precision of the time period.

11 A. Okay. I've gone through the  
12 significant issues with you. There were some  
13 other issues which we had highlighted to KPMG  
14 Belgium in our memo to them, so I think we  
15 haven't covered everything. But I think we've  
16 covered what I would consider to be the more  
17 significant issues.

18 Q. So can you try now to precise the time  
19 that those issues arose?

20 A. If I -- let me sort of start from  
21 December of 1999 and go forward.

22 My recollection is that, is that in,  
23 in early December of 1999 we had, we had a call  
24 with KPMG Belgium and with Lernout and Hauspie  
25 and that was Carl Dammekens. And I believe it

2 was also Jacques van Loo where we had discussed  
3 the issues as we saw them at that point in time.  
4 These were the audit issues for the U.S.  
5 operations. That included the distributor  
6 issue, the medical sales, and the status of  
7 acquisitions that the company was making.

8 And the intent was to make sure that  
9 we all had agreed on what we thought the issues  
10 would be for the audit. Because we wanted to  
11 make sure we could meet the deadline. My  
12 recollection is that the deadline for reporting  
13 to KPMG Belgium was the end of January. It  
14 wasn't a late day in January, but I think it was  
15 within a week of the end of January.

16 So, in December the effort was to make  
17 sure we had identified all the issues, many of  
18 which we had spoken about previously, and some  
19 we'd spoken about numerous times. That was the  
20 game plan and we were performing some work in  
21 December and our final work during January.

22 As far as the issues coming up, the  
23 non-monetary transaction issue came up in  
24 January, the Langware contract came up in  
25 January, so those were what I would consider

2 late surprises that we didn't have previous  
3 knowledge about. The distributors and the  
4 medical sales, we had known about, and those --  
5 that was a process that we had to work through,  
6 and analyze the company's information.

7 So the intent was to be done before  
8 the end of January. And the plan was that KPMG  
9 Belgium would come over to Burlington for a wrap  
10 up meeting in late January. I don't recall the  
11 day that the meeting took place, but it was in  
12 late January, I do recall that we were not  
13 finished at that time. That there were -- we  
14 were still performing our audit procedures and  
15 that in certain cases, such as the non-monetary  
16 transactions, we had not really gained a  
17 thorough understanding of those issues. So I  
18 wasn't in a position at that time to be able to  
19 make any recommendations on what the proper  
20 accounting was.

21 We continued to do our work subsequent  
22 to that meeting. And my recollection is that we  
23 finished our work, finished the bulk of the work  
24 in early February.

25 Just to add one point. There were --

2 MR. HEIMANS: Okay.

3 MS. BEECKMAN: Let's have lunch.

4 MR. CARROLL: Ten after two? Okay.

5 (Luncheon recess taken)

6 AFTERNOON SESSION

7 2:10 p.m.

8 BY MS. BEECKMAN:

9 Q. So we start again. I have here a copy  
10 of your diary. And it is, it stipulates a  
11 meeting on the 6th -- on the, sorry. Here. 6th  
12 of May, yes.

13 A. Okay.

14 Q. So the question is, do you remember  
15 that meeting and can you elaborate things that  
16 were discussed during that meeting? And of  
17 course we are primarily interested in the topic  
18 about language companies.

19 MR. DE SMET: Language development  
20 companies.

21 (Pause)

22 A. I don't have a specific recollection  
23 of this meeting. I do recall that we had  
24 several meetings with Gaston Bastiaens and other  
25 members of the L&H management team along with

2 KPMG Belgium to discuss issues.

3 Here it looks like we were discussing  
4 new issues for that year. And that would  
5 include issues that Gaston might bring up if the  
6 meeting included KPMG Belgium, which my  
7 recollection is these meetings it always did.  
8 So there was issues that didn't relate to the  
9 U.S., that might be talked about at that time.

10 I don't have any specific recollection  
11 of the language companies or the sale labs  
12 discussion. Or whether we actually discussed  
13 those at the time.

14 Q. At that meeting?

15 A. This would have been a summary of what  
16 I would've received typically from KPMG Belgium,  
17 as to the topics of the meeting. And I would've  
18 put those topics they had told me were to be  
19 discussed in my diary.

20 Q. So, the initiative of such a meeting  
21 would go out from KPMG Belgium?

22 A. Yes, that's correct.

23 Q. And you would participate in it?

24 A. I would participate. My understanding  
25 was there were many meetings with management and

2 certain meetings I would participate that those  
3 meetings would be relevant to some of the issues  
4 in the United States.

5 Q. But you were not responsible for the  
6 agenda?

7 A. No, I was not responsible for the  
8 agenda. This would have been from the agenda  
9 from KPMG Belgium.

10 Q. Okay. But you don't remember exactly  
11 that meeting? I think that's acceptable, that  
12 you don't remember exactly what was discussed on  
13 that meeting, but can you tell us then in global  
14 what you know about the language development  
15 companies and at what time periods, not exact  
16 date, but what you knew in certain -- the  
17 evolution in your knowledge over time.

18 A. Okay. I had a general knowledge of  
19 the language development companies. I was aware  
20 they existed. I was aware that, that there were  
21 research and development arrangements that may  
22 have been part of these, part of these  
23 transactions. When I became aware of them, I  
24 don't recall. I was -- it was during the course  
25 of time. And I was not involved in the details

2 company, to be able to understand the  
3 transactions fully and come to a conclusion. I  
4 was doing a limited review. So, it was a  
5 combination of discussion and documents.

6 The point here is, is that if I'm  
7 expected to meet the time lines, I need to have  
8 cooperation from the company, so that I can  
9 obtain the documents and review them in a timely  
10 basis.

11 MS. DE BRAEKELEER: You said a lot of  
12 people were upset with that. Who was upset with  
13 that?

14 A. Well, I recall that are William van  
15 Aerde was, that he had just come on the account  
16 as the lead partner. And that my understanding  
17 was that he got -- he heard a mouthful from Carl  
18 Dammekens and others. And they were concerned  
19 that I wasn't in a position to sign off.

20 MS. DE BRAEKELEER: To sign off before  
21 press release or what?

22 A. No, to sign off by the pre-determined  
23 sign off date. Sign off date we had received in  
24 our instructions from KPMG Belgium.

25 Q. So, the sentence before relates to

**COMPOSITE EXHIBIT "B"**

**REQUEST FROM BELGIUM FOR ASSISTANCE  
IN THE MATTER OF LERNOT & HAUSPIE  
SPEECH PRODUCTION/KPMG**

**DEPOSITION OF:  
GLEN DAVISON**

**OCTOBER 6, 2003 @ 10:00 AM**

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Davison

1 1998, but I will be happy to share with you my  
2 understanding of the structure of the engagement  
3 which I believe was in place during those prior  
4 periods as well.

5 My understanding is KPMG Belgium led  
6 the Lernout & Hauspie audit engagement at all  
7 times, there was a Belgian audit engagement  
8 partner, and that they involved other KPMG firms  
9 around the world in the audit.

10 There was a segment of the audit that  
11 was done by the KPMG, LLP in the U.S. The  
12 Boston office was involved. I believe the  
13 company's U.S. headquarters were in Burlington,  
14 Massachusetts. So the U.S. firm was involved in  
15 auditing the U.S. segment.

16 I believe that other affiliated firms  
17 did work for the Belgian firm in other parts of  
18 the world. In particular, I knew that work was  
19 being done by the Korean KPMG firm and that the  
20 general structure of the engagement would have  
21 been that the work was being done under the  
22 supervision of KPMG Belgium. They would have  
23 requested that work be done by the various  
24 affiliates in the countries where Lernout &  
25 Hauspie had significant operations.

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Davison

1           The foreign affiliates would have  
2           performed the procedures and reported the  
3           results to KPMG Belgium. KPMG Belgium would  
4           have been responsible for evaluating that work  
5           and reaching final conclusions about the audit,  
6           and that is the structure that is in place on  
7           all of the international engagements that I am  
8           involved with. So it is by practice. I am not  
9           sure that it is in the audit manual  
10          specifically, that particular structure.

11           MR. DE SMET: That is why I ask.

12           THE WITNESS: Yes.

13          BY MR. HEIMANS:

14           Q.     I know you already stated generally,  
15           but could you tell us specifically to which  
16           degree KPMG U.S. was involved in certifying the  
17           consolidated annual statements according to U.S.  
18           GAAP for 1998 through 2000?

19           A.     In 1998 and 1999, the two years that  
20           audit reports were issued that I was associated  
21           with, the Boston office performed the U.S.  
22           segment audit and reported to the Belgian firm  
23           what the results of that were. And I performed  
24           the filing review, assisted by another partner,  
25           Mr. Bob McLamb, and I believe that was the

3A6HLETD

Davison

1 revenue recognition policies that were applied  
2 by Lernout & Hauspie everywhere in the world  
3 were designed to comply with U.S. GAAP. So I  
4 never had any discussions about what the Belgian  
5 GAAP differences might have been.

6 MS. DE BRAEKELEER: (through the  
7 interpreter) So the internal Lernout & Hauspie  
8 rules for revenue recognition are the same as  
9 U.S. GAAP rules?

10 THE WITNESS: That was my  
11 understanding.

12 I would comment that the U.S. GAAP  
13 rules on software revenue recognition are very  
14 detailed, and I am confident that there is not  
15 an equivalent anywhere else in the world in  
16 terms of their complexity and their detailed  
17 nature. So to answer your original question, I  
18 would doubt that there is present in Belgian  
19 GAAP an equivalent standard, but to my  
20 knowledge, Lernout & Hauspie applied U.S. rules  
21 everywhere in the world.

22 BY MR. HEIMANS:

23 Q. So this would also be the case for  
24 research and development issues?

25 A. With respect to research and

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Davison

1 was never discussed with the SEC especially?

2 THE WITNESS: No, not to my knowledge.

3 Now, the SEC did ask questions about the LDC  
4 concept, I believe, in some of their comment  
5 letters.

6 MS. BEECKMAN: Did you want --

7 MR. CARROLL: The only thing I was  
8 going to ask is, when you say discussions with  
9 the SEC, Mr. Davison used to work at the SEC.  
10 Were you meaning to include activities by him at  
11 the SEC?

12 MS. DE BRAEKELEER: No.

13 MR. CARROLL: I took that you were  
14 not.

15 MS. DE BRAEKELEER: No.

16 MR. CARROLL: Good.

17 BY MS. BEECKMAN:

18 Q. So when was the first time that you  
19 hear about problems with the LDCs?

20 A. In the summer of 1999, I believe KPMG  
21 received a communication from an employee of the  
22 company that raised questions about the  
23 appropriateness of the revenue recognition  
24 transactions with the language development  
25 companies.

3A6HLETD

Davison

1 Q. And do you remember the name of that  
2 employee?

3 A. I do not.

4 Q. What was done with that information?

5 A. I had an initial discussion with Bob  
6 McLamb about the allegations and he and I talked  
7 about what types of procedures might be  
8 performed to try to evaluate whether or not the  
9 allegations were true or not true, whether or  
10 not they would have impact on the revenue  
11 recognition.

12 Mr. McLamb, I believe, had a trip  
13 scheduled to Belgium in, I believe it was August  
14 of 1999, at which a variety of issues were to be  
15 discussed. So we concluded that in connection  
16 with Bob's August 1999 trip that he would talk  
17 to the engagement team about what their plans  
18 were for dealing with the allegations and to  
19 share with the engagement team our ideas about  
20 audit procedures that could be performed to get  
21 comfort with the transactions or to reveal that  
22 the transactions were not appropriate.

23 Q. Before that meeting, was there any  
24 communication on that allegation between KPMG  
25 U.S. and KPMG Belgium?

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Davison

1 recognition issues, that they were communicated  
2 by KPMG U.S. to KPMG Belgium, or any way? Are  
3 you aware of those issues?

4 THE WITNESS: I would have expected  
5 that they would have been aware of the issues,  
6 although I personally did not speak to the  
7 engagement team about them.

8 MR. CARROLL: Are you referring to  
9 this particular document or more generally?

10 MS. DE BRAEKELEER: More generally.

11 THE WITNESS: Yes. More generally,  
12 from time to time I spoke with Mr. McLamb and  
13 Mr. McLamb conveyed to me discussions he had had  
14 with the engagement team and I believe that  
15 there was a regular dialogue between Mr. McLamb  
16 and the engagement team on key issues. So that  
17 was my understanding.

18 BY MS. BEECKMAN:

19 Q. So do you know about the confidential  
20 memorandum that Mr. van Aerde wrote dated 30  
21 September '99. I will show you a copy of it.

*bylage 3*

22 MR. BATTLAU: E-mail of 4/2/99 is  
23 Exhibit 2.

24 (Pause)

25 A. Can you repeat your question?

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Davison

1 MR. HEIMANS: We cannot expect you to  
2 know what has been going on and everything  
3 because for us it is a learning curve as well.  
4 We are learning more and more how things took  
5 place as we delve into it.

6 MR. DE SMET: If I understood you  
7 quite right, you had a purely advisory role.

8 THE WITNESS: Yes.

9 MR. HEIMANS: Yes. We spoke about  
10 that with other witnesses. The limitation or  
11 the borders between the KPMG USA and KPMG  
12 Belgium, what was the division of  
13 responsibilities?

14 I can only tell you about the Belgian  
15 side of that, but I would like to hear your  
16 version on how these tasks were divided.

17 From the various statements of all  
18 partners and managers of KPMG Belgium who were  
19 involved with the LHSP file, it turns out that  
20 there were -- they contacted Bob McLamb almost  
21 on a day-to-day basis in connection with all  
22 possible audit issues in the file. It has been  
23 stated that KPMG Belgium always blindly followed  
24 McLamb's suggestions.

25 Also, Mr. Paul Behets, who was until

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Davison

1 the third quarter of 1999 the worldwide  
2 responsible KPMG partner for this file,  
3 repeatedly states that he never made a decision  
4 without the advice and approval of Bob McLamb as  
5 the specialist in the matter or the expert.

6 This is also clear from the statements  
7 by LHSP managers in which Joe Lernout stated  
8 that McLamb was above or in the hierarchy was  
9 above KPMG Belgium.

10 Paul Hauspie stated that McLamb at  
11 KPMG USA gave the final approval and KPMG  
12 Belgium didn't really have anything to say,  
13 while Nico Willaert states that McLamb was the  
14 decision maker inside or within KPMG.

15 Do you agree with these statements?

16 THE WITNESS: I do not agree with  
17 those statements, and let me take a moment to  
18 try to comment on it.

19 From the perspective of someone who  
20 does audits every day, and I am an audit  
21 engagement partner on a small group of accounts,  
22 and on any engagement the engagement partner  
23 will from time to time seek the advice of  
24 experts and specialists, perhaps an actuary in  
25 connection with actuarial data, a tax partner in

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Davison

1 connection with tax matters, a partner  
2 knowledgeable about valuation issues on  
3 valuations, and from time to time the department  
4 of professional practice on technical matters.  
5 But in all the matters that an engagement  
6 partner seeks advice on, the engagement partner,  
7 to the extent that he accepts that advice, is  
8 ultimately responsible for the decisions that  
9 are made on the engagement.

10 KPMG Belgium signing the engagement  
11 letter with Lernout & Hauspie, they issued all  
12 of the audit reports that were issued on the  
13 engagement, and to the extent that they employed  
14 other KPMG member firms or to the extent that  
15 they sought the advice of experts, were  
16 responsible to consider those views in terms of  
17 their decision making about the rendering of  
18 their report.

19 Mr. McLamb nor anyone in the U.S. was  
20 responsible for rendering the report of Lernout  
21 & Hauspie. And so I find the tenor of those  
22 comments that somehow someone else was  
23 responsible other than the engagement partner  
24 that signs a report to be inconsistent with the  
25 way our firm is run and not appropriate.

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Davison

1 explain in more practical terms what that  
2 difference is and what it means to say that the  
3 auditor, the engagement partner is in charge of  
4 the auditing and the reviewer is someone who is  
5 giving advice and consulting. Could you either  
6 through examples or through some more specific  
7 discussion illustrate why that is and what it  
8 means. I think it might be useful for you.

9 THE WITNESS: Well, I think I made an  
10 attempt to describe this a couple of times, but  
11 I will try again.

12 It is that the audit engagement  
13 partner is the one who is contracted with the  
14 client to perform the service. He has  
15 participated in the planning. The people who  
16 work on the engagement are under his  
17 supervision. And he is responsible to review  
18 all the working papers and to review the report  
19 and approve the issuance of the opinion.

20 First the concurring review is done by  
21 someone not otherwise involved in the engagement  
22 and is a quality control measure at the end by  
23 someone not responsible for performing the work,  
24 but simply to look at the work papers to see if  
25 they seem to comply with the general accepted

**COMPOSITE EXHIBIT "C"**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of: )  
 ) File No. HO-7341  
LERNOUT & HAUSPIE )  
SPEECH PRODUCTS, N.V. )

WITNESS: Robert P. McLamb

PAGES: 208 through 413

PLACE: 450 Fifth Street, N.W.  
Room 9314  
Washington, D.C. 20549

DATE: Friday, January 19, 2001

The above-entitled matter came on for hearing, pursuant to notice, at 9:10 a.m.

APPEARANCES:

On behalf of the Securities and Exchange Commission:

DEBORAH HEILIZER, ESQ.  
KAM H. LEE, CPA  
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1 BY MR. LEE:

2 Q What is your view about the involvement of KPMG LLP  
3 in the Lernout audit?

4 A It's my -- my understanding that KPMG Belgium  
5 requested KPMG LLP, the Boston office, to perform procedures  
6 on Lernout & Hauspie's U.S. subsidiary.

7 Q So you -- do you consider KPMG LLP to be the  
8 auditors?

9 A No, sir.

10 Q Why not?

11 A Because the engagement is with KPMG Belgium and  
12 they are the -- the firm signing the audit opinion.

13 Q Do you consider KPMG LLP to be participating in the  
14 audit?

15 A KPMG performed audit procedures on Lernout &  
16 Hauspie's U.S. operations under the directions and at the  
17 request of KPMG Belgium.

18 Q My question is do you consider KPMG LLP to be  
19 participating in the Lernout audit?

20 MR. CARROLL: Do you mean other than in that way  
21 or --

22 MR. DAVIS: Including that.

23 MR. LEE: Including -- including performing audit  
24 procedures pursuant to instruction from KPMG Belgium.

25 THE WITNESS: They -- they participate in the audit

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1 by auditing, performing work of that subsidiary that KPMG  
2 Belgium had requested.

3 BY MR. LEE:

4 Q So I -- do I take it your answer is yes, they  
5 participated in the audit?

6 MR. CARROLL: In the sense he's explaining.

7 THE WITNESS: KPMG Belgium -- KPMG LLP performed  
8 procedures on Lernout & Hauspie's operations, U.S.  
9 operations, at the request and under instructions received  
10 from KPMG Belgium.

11 BY MR. LEE:

12 Q I -- KPMG LLP's involvement in the Lernout audit,  
13 do you consider or you said in your opinion -- let me  
14 rephrase the question. By KPMG LLP's participation in the  
15 Lernout audit, what is your view whether KPMG LLP is subject  
16 to auditor independence requirement?

17 A My view is that they are subject to the auditor  
18 independence requirement.

19 Q Do you know if the -- do you know if KPMG LLP has  
20 performed any procedure in connection with the confines with  
21 auditor independence on the Lernout engagement?

22 A Any specific procedures -- specifically related to  
23 auditor independence as it relates to Lernout & Hauspie, is  
24 that -- if that's your --

25 Q Either specifically related to Lernout or general.

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1 partners of KPMG Belgium?

2 A I've always thought that it did contain a listing  
3 of all the partners of each of the member -- each of the  
4 foreign -- each of the firms.

5 Q So under headings are those individual member  
6 firms?

7 A To my recollection, yes, sir.

8 Q Is there also a compilation of partners of any and  
9 all under the firms in alphabetical order?

10 A I believe in the back of the International  
11 Directory there's an alphabetical listing, yes, sir.

12 Q Are there any indications or designations or  
13 symbols or footnotes or whatever within the body of that  
14 directory that indicates title or position or what member  
15 firms the people are members of when they're listed in  
16 alphabetical order?

17 A Not to my recollection.

18 BY MR. LEE:

19 Q So have you met Mr. Erauw?

20 A Yes, sir.

21 Q Was he in any of these meetings concerning the  
22 LDCs?

23 A I don't recall him being in any of the meetings  
24 that were held in the fall -- the summer and fall of 1999  
25 related to the LDCs. In June of 2000, from the period that

1 -- that I found out that the procedures that I had suggested  
2 were not performed, there were daily telephone conversations  
3 with Mr. VanAerde and in some of those Mr. Erauw participated  
4 in. Erauw.

5 Q How did -- I'm sorry.

6 MS. HEILIZER: I'm sorry.

7 BY MR. LEE:

8 Q How did this document come to your attention?

9 MR. CARROLL: Exhibit 53.

10 THE WITNESS: In -- I don't know why --

11 MS. HEILIZER: That's okay.

12 THE WITNESS: It was faxed to me in June of 2000.

13 BY MR. LEE:

14 Q Was it because of a conversation you had with KPMG  
15 Belgium?

16 A Yes, sir. When --

17 Q I'm sorry.

18 A -- in the conversation they implied that they had  
19 sent me a document outlining the procedures that they had  
20 performed and I said, "Well I want to see that document," and  
21 they faxed this to me.

22 Q What triggered that conversation?

23 A A phone call I had received the day before.

24 Q A phone call from who?

25 A A gentleman named Joe DiMario.

**COMPOSITE EXHIBIT "D"**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:

File No. HO-7341

LERNOUT & HAUSPIE SPEECH PRODUCTS, N.V.

WITNESS: Glen Davison

PAGES: 1 through 188

PLACE: Securities and Exchange Commission  
450 Fifth St., N.W., Room 9314  
Washington, D.C. 20549

DATE: Wednesday, February 28, 2001

The above-entitled matter came on for hearing, pursuant to notice, at 9:40 a.m.

APPEARANCES:

On behalf of the Securities and Exchange Commission:

CHARLES DAVIS, Esq.  
DEBRAH HEILIZER, Esq.  
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On behalf of the Witness:

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1 Lernout & Hauspie?

2 A Yes, I did.

3 Q And when -- what services did you provide Lernout &  
4 Hauspie when you succeeded Mr. Wirtz?

5 A The initial service I recall being involved in  
6 related to an SEC comment letter that the company had  
7 received late in 1998. There was a meeting in Boston that I  
8 attended to discuss the -- how the company might respond to  
9 the SEC comment letter.

10 Q Is that meeting reflected on your 1998 calendar?

11 A I believe it is.

12 BY MS. HEILIZER:

13 Q Counsel has opened your calendar to December, 1998.  
14 Does the entries on that page refresh your recollection?

15 A Yes. It's the entry on December 22, 1998. Oh, I'm  
16 sorry. There's an entry on December 15, 1998 that is, I  
17 believe, that meeting.

18 BY MR. DAVIS:

19 Q And there was a meeting in Boston?

20 A Yes, or outside of Boston at the company's  
21 location.

22 Q You mean on the company's premises?

23 A Yes.

24 Q With whom did you meet?

25 A There were a lot of people in that meeting and I

1 may not remember everyone's name.

2 Q I want to hear the ones that you do.

3 A Okay. I remember that Gaston Bastians was there.  
4 Carl Dammekens, the company's Chief Financial Officer was  
5 there. Paul Behets, the KPMG Belgium engagement partner.  
6 Bob McLamb. There was a representative of KPMG's evaluation  
7 practice who was at that meeting.

8 Q And you don't recall who that was?

9 A I don't recall his name.

10 Q Connected with KPMG LLP?

11 A Yes.

12 BY MS. HEILIZER:

13 Q Was it a man or a woman, sir?

14 A It was a man. Lernout & Hauspie's outside Counsel,  
15 Phil Blink, I believe his name is from Brown and Rudnick, was  
16 present at the meeting. Jim Boyer from KPMG's Boston office  
17 was there. And there were a number of other Lernout &  
18 Hauspie staff members in attendance for parts of the meeting.

19 Q Prior to the time of that meeting, sir, did you  
20 develop an understanding as to whether Mr. Wirtz was leaving  
21 as --

22 A Oh, I'm sorry. Digby Wirtz was present at that  
23 meeting as well.

24 Q Oh, Mr. Wirtz was? Okay.

25 A Thank you for reminding me of that.

1 question was originally raised. So, it's routine that those  
2 draft documents are not kept.

3 Q When you started working on the Lernout engagement  
4 in 1998, how did you come up to speed; find out about the  
5 company?

6 A The meeting that we had in outside of Boston on  
7 December 15 of 1998 was a full day meeting. Officers of the  
8 company made presentations about what the company's business  
9 was. There was a demonstration of some of the technology to  
10 the group that was there that day. And I had a copy of the  
11 prior year 20-F as well as the SEC comment letter, and also  
12 had discussions with the engagement partner and with Digby  
13 Wirtz who had been file reviewer, and Mr. McLamb who had been  
14 assisting Mr. Wirtz on the file review previously.

15 Q So you reviewed the company's prior 20-F --

16 A Yes.

17 Q -- as part of your getting up to speed?

18 A And as part of advising them on the -- how best to  
19 respond to the SEC comment letter.

20 Q At the time you first became involved in Lernout &  
21 Hauspie or doing work for Lernout & Hauspie, what was your  
22 understanding as to the level of audit or other risk  
23 associated with that client?

24 A I considered it to be a high risk engagement.

25 Q Why?

**COMPOSITE EXHIBIT "E"**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of: )

LERNOUT & HAUSPIE SPEECH PRODUCTS N.V. ) File No. HO-7341

WITNESS: Glen Davison

PAGES: 189 through 337

PLACE: Securities and Exchange Commission Headquarters  
450 Fifth Street, NW - Room 11602  
Washington, DC

DATE: Thursday, March 1, 2001

The above-entitled matter came on for hearing at  
9:35 a.m., pursuant to notice.

APPEARANCES:

On behalf of the Securities and Exchange Commission:

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1 10-Q with respect to 1999, and the first two quarters of  
2 2000.

3 Q Okay, sir, have you described the universe of  
4 documents that you received to review as file reviewer in  
5 relation to 12-31-99 20-F?

6 A From time to time, I received e-mail messages from  
7 Mr. McLamb and others that also would have been relevant to  
8 the file review.

9 Q From what others beside Mr. McLamb did you receive  
10 e-mail messages relevant to the file review?

11 A I believe that there were e-mails that were  
12 directly from KPMG Belgium personnel that I was copied on, or  
13 was an addressee on that also would have been part of the  
14 communications during the engagement.

15 Q Do you recall what personnel from KPMG Belgium?

16 A I don't have a specific recollection of individual  
17 e-mails. I would expect the engagement partner and manager,  
18 but I don't have any specific recollection.

19 Q And who were those individuals?

20 A The partner's name is William Van Aerde, and I  
21 don't recall the manager's name.

22 Q With respect to the 12-31-99 20-F, how much time  
23 did you spend in your file review?

24 A Well, I think you have the time records, and they  
25 reflect roughly forty hours in additional time, perhaps

1           A     Yes, I'm was reading it. Is that what you were  
2 asking --

3           Q     That's fine, sir.

4           A     Okay.

5           Q     We will wait for you to conclude.

6           A     Uh-huh.

7                                 (Pause.)

8                         BY MS. HEILIZER:

9           Q     I'm sorry, have you had an opportunity to look at  
10 Exhibit 91, sir?

11          A     Yes.

12          Q     What do you understand it to be?

13          A     It's a letter that was written to me and Mr. McLamb  
14 from Mr. Van Aerde, and Mr. Eural of KPMG Belgium regarding  
15 the additional procedures they performed in response to our  
16 request.

17          Q     Is this the, I think before you broke, you used the  
18 word memo, is this the memo that you were describing before  
19 we took our latest break?

20          A     Yes.

21          Q     The one at the end of June?

22          A     Yes.

23          Q     When did you first see this memo, or see this  
24 letter?

25          A     I don't recall.

**COMPOSITE EXHIBIT "F"**



27 JUNI 2000

## Bedrijfsrevisoren - Reviseurs d'Entreprises

Lernout & Hauspie Speech Products  
Attn. Mr. C. Dammekens  
Flanders Language Valley 50  
8900 Ieper

Burgerlijke vennootschap die de rechtsvorm heeft  
aangenomen van een coöperatieve vennootschap met  
beperkte aansprakelijkheid.  
Société civile ayant emprunté la forme d'une société  
coöperative à responsabilité limitée.

V.A.T. n° : BE 432.834.685 ✓

22-06-2000

## INVOICE

9901113236

Fees of Klynveld Peat Marwick Goerdeler Reviseurs d'Entreprises,  
represented by Mr. W. Van Aerde, for the recharge of invoice  
40295561 of KPMG Houston (as attached)

29.800 \$ or BEF 1.256.800

V.A.T. 21 % 263.928

Total 1.520.728

Conversion in Euro for information purposes only	Base	VAT 21 %	Total
EUR	31.155,26	6.542,60	37.697,86

Please pay this invoice to our account : BBL : 310-0929850-94  
Veuillez payer cette facture à notre compte : CCB : 068-2328001-28  
Gelieve deze factuur te betalen op onze rekening : KB : 409-8511731-25

NR	
APD	<i>gh</i>
PD	<i>Y</i>
CORR	
ACC	<i>6140210</i>
	<i>net 9100</i>

CONFIDENTIAL TREATMENT  
REQUESTED  
LHSP 007532



Member of KPMG International, a Swiss association

Bourges  
Avenue du Bourges 40  
1130 Brussels - Bruxelles  
Belgie - Belgique  
Tel. : + 32 2 708 43 00  
Fax : + 32 2 708 43 99

Socringplein 3  
2010 Antwerpen (Mina)  
Belgie - Belgique  
Tel. : + 32 3 821 17 00  
Fax : + 32 3 825 20 25

Bellefleur 28 - bus 13  
5052 Gent  
Belgie - Belgique  
Tel. : + 32 9 241 88 00  
Fax : + 32 9 241 88 99

Spinnen 7  
3500 Hasselt  
Belgie - Belgique  
Tel. : + 32 11 28 96 10  
Fax : + 32 11 28 96 19

rue Van Oost 76  
5100 Jambes  
Belgie  
Tel. : + 32 81 32 89 80  
Fax : + 32 81 32 89 88

De Een van de vennooten  
kan en de andere persoon  
cheggend worden. La liste  
des associés doit être  
conservée aux sièges

REVASC  
Antwerpen 34  
STW-TVA  
BE 819 122 548

1/801

200 10:21

KPMG LLP

7133192214 P.02/04



Date: May 31, 2000  
Invoice: 40295561

MR. WILLIAM VAN AERDE, PARTNER  
KPMG  
KORTRIJKSESTEENWEG 22-28  
B-9000 GENT, BELGIUM

PLEASE REMIT TO:  
KPMG, LLP  
Dept. 0691  
P. O. Box 120001  
Dallas, TX 75312-0691  
TIN: 13-3545287

Business Unit: US115 Client Number: 60026065 Project Number(s): 10302047

For services rendered in the review of significant customer contracts, purchase contracts including opening balance sheet reviews and First Quarter 2000 information for the following Lernout & Hauspie NV subsidiaries: eDocs, Rodoor, LTI, and Omnimed.

Total Due \$29,800.00

KPMG LLP, KPMG LLP, a U.S. limited liability partnership,  
is a member of KPMG International, a Swiss association.

Please Pay By Invoice and  
Enclose Remittance Copy

Payment Due  
Upon Receipt

CONFIDENTIAL TREATMENT  
REQUESTED  
LHSP 007533



Bedrijfsrevisoren - Reviseurs d'Entreprises

Lernout & Hauspie Speech Products NV  
Ter attentie van de Heer Carl Dammekens  
Flanders Language Valley 50  
8900 Ieper

Burgerlijke vennootschap die de rechtsvorm heeft  
aangenomen van een coöperatieve vennootschap met  
beperkte aansprakelijkheid.  
Société civile ayant emprunté la forme d'une société  
coopérative à responsabilité limitée.

B.T.W. nr. : BE 432.834.685

30 -06- 2000

**FAKTUUR****9901113709**

Ereloon van Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren,  
commissaris-revisor, vertegenwoordigd door de Heer W. Van Aerde,  
bedrijfsrevisor, voor bijkomende prestaties met betrekking tot  
Lernout & Hauspie Speechproduct NV en haar recente overnames en  
filings in de Verenigde staten.

Prestaties werden uitgevoerd door Ellen Vermeersch, Barbara Himpens,  
Sofie Lauwaert, Veronique De Roose, Stefan Huysman, William Van Aerde  
(totaal aantal uren: 170)

- Conference Call op 22 maart met Arthur Anderssen in het kader  
van de overname van Dragon
- Bijkomende coördinatie met betrekking tot Dictaphone (rapporterings-  
instructies, vragen met betrekking tot openingsbalans etc.)
- Form S8 nazicht in mei en juni 2000; opstellen representation letters en  
consent letters.
- Coördinatie met betrekking tot bijkomende "medical" entiteiten in de  
Verenigde Staten
- Nazicht verschillende versies van de 10 Q, 10 K, S3 ons overgemaakt  
via Brown Rudnick tussen half mei en 26 juni 2000:  
Form 10 Q op 31 maart 2000  
Form 10 Q op 30 september 1999  
Form 10 Q op 30 juni 1999  
Form 10 K  
Form S 3

CONFIDENTIAL TREATMENT  
REQUESTED  
LHSP 007543

1/2



Member of KPMG International, a Swiss association

Boulogne  
Avenue du Bourget 40  
1130 Brussel - Bruxelles  
België - Belgique  
Tel + 32 2 708 43 00  
Fax + 32 2 708 43 99

Schoorvegeaan 3  
2610 Antwerpen (Nieuw)  
België - Belgique  
Tel + 32 3 821 17 00  
Fax + 32 3 825 20 25

Botsberg 28 - bus 13  
9052 Gera  
België - Belgique  
Tel + 32 9 241 88 00  
Fax + 32 9 241 88 99

Rijst 7  
3500 Hasselt  
België - Belgique  
Tel + 32 11 28 66 10  
Fax + 32 11 28 66 19

ruel Van Opdré 76  
5100 Jambes  
België  
Tel + 32 81 32 89 80  
Fax + 32 81 32 89 98

De heer van de verzoeken  
kun in de ziele persch-  
pleegd worden. La liste  
des alloues peut être  
consultée aux sièges.

REV-RSC  
Antwerpen 94  
RTV-TVL  
BE 419 122 548

1/601



f 20000 34

## Bedrijfsrevisoren - Reviseurs d'Entreprises

Burgerlijke vennootschap die de rechtsvorm heeft  
aangenomen van een coöperatieve vennootschap met  
beperkte aansprakelijkheid.  
Société civile ayant emprunté la forme d'une société  
coopérative à responsabilité limitée.

B.T.W. 21 %

NR	
APD	
PO	68
CORR	6440220
ACC	0015100

BEF 1.051.250

220.763

Totaal

BEF 1.272.013

Omrekening in Euro louter ter informatie	Basis	BTW 21 %	Totaal
EUR	26.059,81	5.472,57	31.532,38

Please pay this invoice to our account :  
Veuillez payer cette facture à notre compte :  
Gelieve deze factuur te betalen op onze rekening :

BBL : 310-0929850-94  
CCB : 068-2328001-28  
KB : 409-8511731-25

CONFIDENTIAL TREATMENT  
REQUESTED  
LHSP 007542

2/2



Member of KPMG International a Swiss association

Bourgesse -  
Avenue du Bourget 40  
1130 Brussels - Bruxelles  
Belgie - Belgique  
Tel + 32 2 708 43 00  
Fax + 32 2 708 43 99

Schoorweg 3  
2610 Antwerpen (Middel)  
Belgie - Belgique  
Tel + 32 3 821 17 00  
Fax + 32 3 825 20 25

Stadsbergen 28 - bus 13  
3052 Gent  
Belgie - Belgique  
Tel + 32 9 241 88 00  
Fax + 32 9 241 88 99

Spilman 7  
2500 Hasselt  
Belgie - Belgique  
Tel + 32 11 28 65 10  
Fax + 32 11 28 66 19

ruw Van Oost 76  
5100 Jambes  
Belgie  
Tel + 32 81 32 68 82  
Fax + 32 81 32 68 98

De tekst van de vennoten  
kan in de ziele geset  
pleegd worden. La note  
des associés peut être  
consultée aux sièges

RBVASC  
Antwerpen 94  
BTW-TVA  
BE 419 122 548

1/607



04 OCT. 2000

## Bedrijfsrevisoren - Reviseurs d'Entreprises

Lernout & Hauspie Speech Products  
Ter attentie van de Heer C. Dammekeens  
Senior Vice President and Acting CFO  
Flanders Language Valley 50  
8900 Ieper

Burgerlijke vennootschap die de rechtsvorm heeft  
aangenomen van een coöperatieve vennootschap met  
beperkte aansprakelijkheid.

Société civile ayant emprunté la forme d'une société  
coopérative à responsabilité limitée.

29 -09- 2000

B.T.W. nr. : BE 432.834.685 V

FACTUUR

2001110274

Ereloon van Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren,  
commissaris-revisor, vertegenwoordigd door de Heer W. Van Aerde,  
bedrijfsrevisor, voor de doorfacturatie van kosten met betrekking tot  
Dragon (zie kopie van factuur in bijlage)

58.700 \$ of

BEF 2.777.330

B.T.W. 21 %

583.239

Totaal

BEF 3.360.569

KB	340
APD	Mv
FO	
CCBR	
ACC	6140150
	004510

Omrekening in Euro louter ter informatie	Basis	BTW 21 %	Totaal
EUR	68.848,21	14.458,12	83.306,33

Please pay this invoice to our account :  
Veuillez payer cette facture à notre compte :  
Gelieve deze factuur te betalen op onze rekening :

BBL : 310-0929850-94  
DEXIA : 068-2328001-28  
KBC : 409-8511731-25

+32-8-2418888

1-963 P. 04

P-690

12-08-00 10:15

Van-KPMG REGIO WEST



KPMG  
ATTN MR. WILLIAM VAN AERDE:  
BOLLEBERGEN 2B  
BUS 13  
B-9052 GENT

September 6, 2000  
Invoice: 40367929

## PLEASE REMIT TO:

KPMG, LLP  
DEPT. 0579  
P.O. BOX 120001  
DALLAS, TX 75312-0579

TIN: 13-5565207

Business Unit: US036 Client Number: 60040543

Billing for professional services rendered in connection with the opening balance sheet limited scope review conducted in accordance with the interoffice instructions for Dragon Systems, Inc. as of June 7, 2000, including out-of-pocket expenses

\$52,000.00

Billing for review procedures for the period June 7, 2000 acquisition date, through June 30, 2000 (as quarter only consists of 23 days this amount is less than what we would expect to bill for the full quarter).

6,700.00

Total Due

\$58,700.00

KPMG LLP, KPMG LLP, a U.S. limited liability partnership,  
is a member of KPMG International, a Swiss association.

Please Pay By Invoice and  
Enclose Remittance Copy

Payment Due  
Upon Receipt

KPMG

[stamp 4 October 2000]

Bedrijfsrevisoren - Reviseurs d'Entreprises

Limited liability company

Lernout & Hauspie Speech Products NV  
 Att. Mr. Carl Dammekens  
 Senior vice President and Acting CFO  
 Flanders Language Valley 50  
 8900 Ieper

VAT No.: BE 432.834.685

[stamp 29 September 2000]

INVOICE

[stamp 2001110274]

KPMG Bedrijfsrevisoren fee,  
 commissioner-auditor, respresented  
 by Mr.W.Van Aerde, statutory auditor,  
 billing through of expenses concerning Dragon  
 (copy of the invoice attached)

58,700 \$ of BEF 2,777,330

VAT 21% 583,239

-----

Total BEF 3,360,569

## Calculation in EUR for information purposes only

	Basis	VAT 21%	Total
EUR	68,848.21	14,458.12	83,306.33

Please pay this invoice to our account:

BBL: 310-0929850-94

Veuillez payer cette facture à notre compte :

CCB :068-2328001-28

Gelieve deze factuur te betalen op onze rekening:

KB: 409-8511731-25



04 OCT. 2000

Bedrijfsrevisoren - Reviseurs d'Entreprises

Lernout & Hauspie Speech Products  
Attn. Mr. Carl Dammekens  
Senior Vice President and Acting CFO  
Flanders Language Valley 50  
8900 Ieper

Burgerlijke vennootschap die de rechtsvorm heeft  
aangenomen van een coöperatieve vennootschap met  
beperkte aansprakelijkheid.

Société civile ayant emprunté la forme d'une société  
coöperative à responsabilité limitée.

V.A.T. n° : BE 432.834.685 ✓

29-09-2000

INVOICE

2001110272

Fees of Klynveld Peat Marwick Goerdeler Reviseurs d'Entreprises,  
statutory auditor represented by Mr. W. Van Aerde, for the review  
of the June 30, 2000 10Q report in August and September 2000.  
(work done by Laurens Van Nevel, Stefan Huysman, William Van Aerde)

(Amount including outlays)	BEF	133.760
		28.090
V.A.T. 21 %		
Total	BEF	161.850

NR	341
APD	Mf
PO	

640210  
601 5100

Conversion in Euro for information purposes only	Base	VAT 21 %	Total
EUR	3.315,82	696,33	4.012,15

Please pay this invoice to our account :  
Veuillez payer cette facture à notre compte :  
Gedieve deze factuur te betalen op onze rekening :

BBL : 310-0929850-94  
DEXIA : 068-2328001-28  
KBC : 409-8511731-25

Bourgeslaan -  
Avenue du Bourget 40  
1130 Brussel - Bruxelles  
Belgie - Belgique  
Tel. + 32 2 241 88 00

Borlebergen 28 - bus 12  
9052 Gent  
Belgie - Belgique  
Tel. + 32 9 241 88 00

rue Van Oppe 76  
5100 Jambes  
Belgie  
Tel. + 32 81 32 69 80



16 OCT. 2000

Bedrijfsrevisoren - Reviseurs d'Entreprises

Lernout & Hauspie Speech Products  
Attn. Mr. Carl Dammekens  
Senior Vice President and Acting CFO  
Flanders Language Valley 50  
8900 Ieper

Burgerlijke vennootschap die de rechtsvorm heeft  
aangenomen van een coöperatieve vennootschap met  
beperkte aansprakelijkheid.  
Société civile ayant emprunté la forme d'une société  
coopérative à responsabilité limitée.

09 -10- 2000

V.A.T. n° : BE 432.834.685

2001110379

INVOICE

Fees of Klynveld Peat Marwick Goerdeler Reviseurs d'Entreprises,  
statutory auditor represented by Mr. W. Van Aerde, for the June 30 audit  
(see overview), excluding the fee for KPMG Korea, to be billed locally

Progress bill: 395.000 USD or	BEF	18.184.198
V.A.T. 21 %		3.818.682
Total	BEF	22.002.880

Conversion in Euro for information purposes only	Base	VAT 21 %	Total
EUR	450.774,50	94.662,65	545.437,15

Please pay this invoice to our account :  
Veuillez payer cette facture à notre compte :  
Gelieve deze factuur te betalen op onze rekening :

BBL : 310-0929850-94  
DEXIA : 068-2328001-28  
KBC : 409-8511731-25

NR	
APD	<i>[Signature]</i>
PC	

AC 6440170

0046000

KPMG : 30220000

Bourgetan  
Avenue du Bourget 40  
1130 Brussel - Bruxelles  
Belgie - Belgique  
Tel. : 32 2 7196 21 00

Boleberg 28 - bus 13  
9052 Gent  
Belgie - Belgique  
Tel. : 32 9 241 88 00

rue Van Oppe 76  
5100 Jemmet  
Belgique  
Tel. : 32 61 32 69 80

03-10-00 13:01

Vaud KPMG REGIO WEST

+32-8-2418888

T-788 P.06/06 P-103

## Overview Fees form G

Full scope upgrade Expenses  
(fees + expenses)

Suggested Fees  
US\$ US\$

## KPMG office

Belgium:	BEF	1,800,000	250,000	38,414	38,000
Audit Ieper	BEF	400,000		8,536	8,000
Audit Transl. Divis.	BEF	3,370,000	900,000	71,920	70,000
Consol. review and reporting	BEF	65,000		65,000	65,000
Boston	USD	72,000	4,000	31,682	24,000
Dusseldorf	DEM	54,780		7,190	6,000
Paris	FRF	63,200		8,295	6,300
Toulouse	FRF	700,000		3,622	3,500
Madrid	ESP	12,054	950	17,074	10,000
Birmingham	GBP	1,000,000	20	9,424	9,500
Tokyo	JPY	6,000	975	6,559	4,400
Dublin	IEP	31,000	300	17,863	12,000
Singapore	Sing \$	800,000	40	3,435	3,500
Lisbon	PTE	10,450,000	500,000	4,645	4,600
Milan	ITL	25,600		2,627	2,500
Goteborg	SEK	75,000		10,859	7,000
Helsinki	FIM	55,900	1,100	6,451	5,200
Kopenhagen	DKK	41,000	775	4,398	3,500
Oslo	NOK	159,500,000		144,190	145,000
Seoul	KRW	20,300		20,300	20,000
Providence	USD	75,000		75,000	70,000
Stamford	USD	22,000		22,000	22,000
Houston*	USD			579,495	540,000

directly invoiced to Korea

\* Billed separately and directly to LHS; amount excludes hours and costs of Bob McLamb

46,0357 rate

4,971.877 IEPER → 7,127.880 = 3,789.299  
368.287 C.A.J. = 1,431.67

200005307



Bedrijfsrevisoren

Lernout & Hauspie Speech Products  
 Ter attentie van de Heer C. Dammekens  
 Senior Vice President and Acting CFO  
 Flanders Language Valley 50  
 8900 Ieper

NR	
APD	2e bijlage: Carl
PE	
CORR	
ACC	6140170
	00+6000

14 NOV. 2000

B.T.W. nr. : BE 432.834.685 ✓

31 oktober 2000

2001110660

**FACTUUR**

Ereloon van Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren,  
 commissaris-revisor, vertegenwoordigd door de Heer W. Van Aerde,  
 bedrijfsrevisor, voor diverse prestaties vanaf oktober 2000 m.i.v.  
 ondermeer doorfacturatie ontvangen kosten KPMG Houston, KPMG  
 Hong Kong, verplaatsing Korea, advocatenkosten

BEF 37.744.580

B.T.W. 21 %

7.926.362

Totaal

BEF 45.670.942

Omkering in Euro louter ter informatie	Basis	BTW 21 %	Totaal
EUR	935.663,70	196.489,38	1.132.153,08

Please pay this invoice to our account :  
 Veuillez payer cette facture à notre compte :  
 Gelieve deze factuur te betalen op onze rekening :

BBL : 310-0929850-94  
 DEXIA : 068-2328001-28  
 KBC : 409-8511731-25



## FAX

TO: Bart Ferrand

COMPANY: Artesia

Fax / 056/23.53.00

FROM: Carl Dammekens

SUBJECT: overschrijving

DATE: 15/11/00 17:25

NO. OF PAGES: 1

### MESSAGE:

Geachte,

Gelieve onderstaande overschrijving dringend uit te voeren via het debet van onze rekening 551-3865100-10:

- Begunstigde :	KPMG
- Rekening) :	310-0929850-94
- Bedrag:	45.670.942 BEF
- Mededeling :	2001110660

Met vriendelijke groeten,

Carl Dammekens

**COMPOSITE EXHIBIT "G"**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:                     )  
  )  
LERNOUT & HAUSPIE                     )  
SPEECH PRODUCTS, N.V.                ) File No. HO-7341

WITNESS: Robert P. McLamb

PAGES: 1 through 207

PLACE: Securities and Exchange Commission Headquarters  
450 Fifth Street, NW, Room 9314  
Washington, DC

DATE: Thursday, January 18, 2001

The above-entitled matter came on for hearing at 9:31  
a.m., pursuant to notice.

APPEARANCES:

On behalf of the Securities and Exchange Commission:

DEBORAH HEILIZER, ESQ.  
CHARLES DAVIS, ESQ.  
DAVID WITHERSPOON, CERTIFIED PUBLIC ACCOUNTANT  
KAM H. LEE, CERTIFIED PUBLIC ACCOUNTANT  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549  
(202) 942-4683

On behalf of the Witness:

MICHAEL P. CARROLL, ESQ.  
WILLIAM J. FENRICH, ESQ.  
Davis, Polk & Wardwell  
450 Lexington Avenue  
New York, NY 10017  
(212) 450-4549

SUSAN C. COCKFIELD, ESQ.  
WILLIAM J. BARRY, CERTIFIED PUBLIC ACCOUNTANT  
KPMG, LLP  
280 Park Avenue  
New York, NY 10017  
(212) 909-5840

Diversified Reporting Services, Inc.  
(202) 296-9626

1 formal written sign-off.

2 Q What about for your -- for LLP's purposes? Did you  
3 make any notation, "This is done," "I've completed this,"  
4 "This is okay to file," anything like that?

5 A No, ma'am, the work papers are the responsibility  
6 of the foreign firms and so we didn't -- we kept no separate  
7 work papers or separate files other than the actual public  
8 registration statement.

9 Q What about in your time records? Would you make  
10 any notation or other indication that you had completed your  
11 review?

12 A No, ma'am.

13 BY MR. LEE:

14 Q The documents produced to you for your file review,  
15 where do you keep them?

16 A I would receive drafts of things like the  
17 completion memo and once I had finished reviewing and had any  
18 comments or concerns responded to, I would discard those as  
19 they belonged in the work papers.

20 Q At what point would you destroy them?

21 A At the point that I had completed my work on that  
22 particular document.

23 Q After you have completed your review and before you  
24 give the approval to the audit engagement team, did you need  
25 to gain the approval of the SEC review partner before you

1 Q Your inquiry would be in writing?

2 A No, sir.

3 Q It would be verbal? It would be verbal?

4 A Yes, sir.

5 Q And have you seen any document provided by KPMG,  
6 Belgium that would indicate they have actually made the  
7 inquiry to every, single KPMG member firm who participated in  
8 the Lernout audit?

9 A In their instructions that they -- the -- that they  
10 would send out for the annual audit, it's my recollection  
11 that there was a section in those instructions regarding  
12 independent -- SEC independence rules. I do not know how  
13 they required each firm to respond or if a response  
14 specifically was required. I don't know.

15 Q Do you still have a copy of any of those  
16 instructions?

17 A No, sir.

18 Q After you have given them your approval, after you  
19 finish your file review, is your practice to destroy the  
20 files?

21 A As I've previously stated, as I was doing -- in the  
22 course of doing my file review, I would -- there were certain  
23 documents that they would send me drafts of that they knew  
24 that I needed to review and as I completed my review and got  
25 my commentaries, written responses, to those, I would discard

1 those documents.

2 Q Should there be any follow-up question or  
3 subsequent question concerning a file review that was  
4 performed before, where would you look to refresh your  
5 memory?

6 A If the question is, that if issues came up  
7 subsequent, in subsequent file reviews, that related to  
8 the -- to a previous set of financial statements for a  
9 quarter -- and I am talking in general, I am not talking  
10 specifically about Lernout & Hauspie -- I would discuss the  
11 issue with the engagement team and may have them send me, if  
12 it was referenced in the completion memo, a copy of where  
13 that issue was documented and the results of that -- the  
14 conclusions on that issue were documented.

15 Q But since when you make your approval or gave your  
16 file review approval, you would not give it in writing or  
17 there's no document of your approval, how would you know  
18 whether you have given the approval for that particular  
19 issue?

20 A If you're talking about approval for the file  
21 review, in total, I -- as I said before, in London, I would  
22 have between fifteen and twenty reviews. So I would make a  
23 mental note as to those that I had completed and those that I  
24 had not. If you're talking about a specific issue, then  
25 I -- as I said before, I would have the engagement team

1 refresh my memory by maybe providing me a copy of the  
2 completion memo section that related to the issue or point me  
3 to where the issue was talked about in the financial  
4 statements.

5 Q Do you maintain a list of the approval you have  
6 given of file reviews anywhere?

7 A No, sir.

8 Q So if someone should come back and ask you whether  
9 you have approved, on a file review related to a 6-K file in,  
10 say, June, 1998, where would you look?

11 A I don't have a specific file. The instances  
12 that -- where it is not approved are not frequent, in  
13 general, and so I would have a mental note of that.

14 Q You would not mark it down anywhere that you have  
15 not completed the review?

16 A No, sir.

17 Q Is this a standard KPMG practice?

18 A I don't know if it is a standard KPMG practice. It  
19 is Bob McLamb's practice.

20 Q To your knowledge, are there other people in KPMG  
21 who follow a similar practice to yours?

22 A I do not know.

23 Q Have you talked to other file reviewers? Have you  
24 observed other file reviewers to see whether they maintained  
25 documents related to the file review?

1 would provide that to them. If they requested it, I may  
2 provide them a copy of the current text of the SASs. If  
3 there were specific PPLs that would come out of the  
4 Department of Professional Practice that I thought would be  
5 applicable to them or of interest to them, I would provide  
6 those to them.

7 Q PPL stands for what?

8 A Professional practice letters.

9 Q Thank you. Anything else?

10 A I provided Mr. Huysman with some information about  
11 the course, the non-KPMG course, that he attended. It had  
12 come across my desk through mailings. And I don't recall  
13 anything -- anything else.

14 Q Did you get involved at all in the transmission of  
15 the reporting package in connection with the audit of U.S.  
16 L&H entities to Belgium?

17 A I don't understand what you mean -- what you mean  
18 by "get involved in the transmission." Did I physically  
19 deliver anything or e-mail something?

20 Q Well, okay.

21 A Yeah.

22 Q Did you have any role to play in transmitting  
23 information from other parts of LLP to KPMG, Belgium?

24 A No, ma'am.

25 Q In connection with your consultations with DPP  
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1 relating to Lernout, did you make any notes?

2 A I may have made notes at the time of the  
3 consultations and would pass that information on either  
4 through an oral conversation or an e-mail or a fax to the  
5 KPMG engagement team and then it was their responsibility to  
6 document it as they saw fit in their work papers.

7 Q Where are the notes? What happened to them?

8 A Well, as -- after I had communicated that  
9 information to the engagement team, I would -- I would  
10 discard it.

11 Q Is there any guidance or practice at LLP with  
12 respect to either keeping or destroying notes on  
13 conversations with persons at DPP?

14 A KPMG, LLP has a policy that your discussions with  
15 the Department of Professional Practice are to be documented  
16 in the work papers, in a memo fashion in the work papers.

17 Q Okay. And how did you make that happen?

18 A As it relates to Lernout & Hauspie?

19 Q Yes.

20 A It was not my responsibility to do that. I would  
21 pass the information on and, in some cases, they  
22 participated, the KPMG, Belgium team participated in those  
23 conversations and then it was their responsibility to  
24 document what they saw fit under their -- under their firm's  
25 requirements.

1       that correct?

2               MR. CARROLL: Right.

3               MS. HEILIZER: Now are you folks asserting  
4       privilege with respect to the conversation that we were  
5       asking about before the break?

6               MR. CARROLL: Ask your next question and we'll find  
7       out.

8               MS. HEILIZER: Well, I think the question was  
9       pending, which was, what was discussed during that  
10      conversation?

11              MR. CARROLL: Then just reput it to the witness and  
12      we'll take it one question at a time.

13              MS. HEILIZER: Okay.

14              BY MS. HEILIZER:

15              Q     Sir, what was discussed?

16              A     Can you repeat the question, please?

17              Q     Sure. We were talking -- now let me set up the  
18      context for you, because the question is the same. We were  
19      talking about the conversation in June of 2000, I believe,  
20      between Mr. Guinan, Mr. Van Aerde, yourself, and Fran  
21      Disarro.

22              A     Yes, ma'am.

23              Q     Is that a man or a woman?

24              A     A man.

25              Q     Okay, Mr. Disarro.

1 A Ms. -- I'm sorry, a woman.

2 Q Okay, Ms. Disarro. And I think you told me it  
3 lasted about fifteen minutes?

4 A Yes, ma'am.

5 Q Who said what to whom?

6 A There were discussions regarding certain audit  
7 procedures that, as file reviewer, I felt the engagement team  
8 needed to perform.

9 Q So why was DPP involved?

10 A The engagement team had wanted to talk to somebody  
11 besides myself about the necessity of those procedures, and, —  
12 as I recall, Mr. Davidson was not available.

13 Q You haven't said this, but I want to find out if  
14 I'm correct in understanding, from what you've said, that you  
15 had suggested that the audit team do certain procedures and  
16 they didn't want to do them, so they wanted to talk to  
17 somebody else about whether it was necessary?

18 A They were questioning the necessity of the  
19 procedures, yes, ma'am.

20 Q And what were the procedures you had suggested for  
21 them to do that they didn't want to do?

22 A The procedures that they were questioning the  
23 necessity of were sending out confirmations to investors in  
24 certain companies that Lernout & Hauspie had entered into  
25 license agreements with.

1 Q Which companies were these?

2 A I don't know the specific names. I refer to them  
3 as the "language development companies."

4 Q The LDCs?

5 A Yes, ma'am.

6 Q Okay. Now the -- I'm sorry. You were going to say  
7 something --

8 A And they're -- they also -- some of them are  
9 referred to as cross LDCs, XLDCs.

10 Q Okay. Were any of them referred to as IACs?

11 A Not the ones that I was concerned about at that  
12 point in time.

13 Q When did this issue about confirming the identity  
14 of investors or finding out the identity of the investors in  
15 the LDCs first come up?

16 A In the summer/fall of 1999.

17 Q Why was this still an issue in June of 2000?

18 A I was under the understanding that the procedures  
19 had been performed in the fall of 1999. In June, I became  
20 aware that they had not been performed, the confirms to the  
21 investors in those companies, and when I became aware of  
22 that, I advised the engagement that those were files  
23 in -- those were confirmation procedures that I felt needed  
24 to be done in order for me to complete my file review.

25 Q Do you remember who you talked to on the engagement

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1 to that belief that it had been done?

2 A I believe it was a telephone conversation with one  
3 of the engagement team members. I do not recall which one.

4 Q Do you think you were given incorrect information  
5 or do you think you made a mistake or do you think something  
6 else happened that led you to the belief that confirmation of  
7 the identity of the investors had been done when it hadn't?

8 A Can you repeat all --

9 Q Sure.

10 A I mean you gave a series of possibilities.

11 Q And I'm not trying to make the question confusing.

12 A No.

13 Q I'm trying to -- as you sit here today, how did it  
14 happen or what do you now understand happened that you  
15 thought something had been done when, in fact, it wasn't?

16 A As I sit here today, I believe it was a  
17 miscommunication between myself and the KPMG engagement team.

18 Q Can you be more specific?

19 A No, ma'am.

20 Q Were you provided incorrect information by the KPMG  
21 engagement team?

22 MR. CARROLL: Asked and answered.

23 THE WITNESS: As I said, I believe that the -- that  
24 the -- it was the result of a miscommunication between myself  
25 and the KPMG engagement team.

1 BY MR. DAVIS:

2 Q What does that mean? What do you mean? You  
3 misunderstood them?

4 A I can't sit here today and say that I was provided  
5 with -- you're asking me if I was provided with incorrect or  
6 inaccurate information and I cannot make that assessment  
7 today. I do -- I believe --

8 Q Well --

9 A -- it was a miscommunication or a misunderstanding.

10 Q On their part or on your part?

11 A There were two parties to the conversation, so I  
12 believe it was on both parts.

13 Q I mean but I'm only talking one.

14 A Okay.

15 Q So was it on your part or their part?

16 A I can't recall the conversation where I got the  
17 impression that procedures had been performed, but it was  
18 a --

19 Q Did you have a incorrect impression or a  
20 misimpression?

21 MR. CARROLL: You have to let him finish.

22 MR. DAVIS: I'm sorry.

23 THE WITNESS: I do not recall the conversation  
24 where I came to the belief that the procedures had been  
25 performed, and in order to conclude whether I was provided

1 incorrect information, I believe I would have to recall that  
2 conversation. They did perform confirmation procedures in  
3 the fall of 1999. I later came to understand what those  
4 procedures were and I did not deem those sufficient enough in  
5 order for me to complete my file review.

6 BY MS. HEILIZER:

7 Q This is the file review for the fiscal year '99  
8 audit?

9 A Yes, ma'am.

10 Q For the 20-F?

11 A Yes, ma'am.

12 Q Okay. So the 20-F had not yet been filed at the  
13 time you had this conversation in June of 2000; is that  
14 correct?

15 A Yes, ma'am.

16 Q Were there any other instances that you can  
17 remember as you sit here today where there were  
18 misunderstandings with KPMG, Belgium, with respect to either  
19 audit procedures you wanted done or instructions you had  
20 given with respect -- or advice you had given with respect to  
21 GAAP or GAAS?

22 A I don't recall any other such instances.

23 Q Okay. Can you recall anything else about this  
24 telephone conversation that we've been talking about, the DPP  
25 conversation, other than what you've already told me?

1 A No, ma'am.

2 BY MR. LEE:

3 Q In fall of 1999, do you remember what triggered you  
4 to propose the confirmation procedures?

5 A I became aware of information that caused me to  
6 have concern about the language development companies --

7 Q Do you --

8 A -- and their relationship with Lernout & Hauspie.

9 Q Do you remember what information you came across?

10 A I had received a phone call from the Department of  
11 Professional Practice and OGC.

12 Q I'm sorry. The OGC?

13 A Office of General Counsel.

14 Q Okay.

15 A Whereby they told me that they had been --

16 MS. HEILIZER: Excuse me one second. I just want  
17 to make sure that -- give your counsel a moment to object if  
18 he or she wants to.

19 MR. CARROLL: He or she does. If this is a  
20 conversation with KPMG, LLP's counsel, he should not relate  
21 the substance of it, but I will permit, Deborah, you to  
22 inquire into his understanding of what the facts were after  
23 the conversation.

24 MS. HEILIZER: Wait a minute. Let's first find  
25 out --

1 generated.

2 Q Let's go back to your calendar. I think you were  
3 talking about having this call with Mr. Jones and Ms. Disarro  
4 when you were transitioning back to Houston. Does looking at  
5 your calendar refresh your recollection, that is, help you to  
6 remember when that telephone call took place?

7 A No, ma'am.

8 Q You can't place it for me any more specifically  
9 than you already have?

10 A No, ma'am, I can't.

11 Q So you were telling us about what you did after the  
12 phone call, and you said, I think, the next day you called  
13 Mr. Van Aerde?

14 A Yes, ma'am.

15 Q Can you tell us about that, please?

16 A I called Mr. Van Aerde and told him that I had been  
17 made aware of information that caused me concern about the  
18 relationship between the LDCs and Lernout & Hauspie and that  
19 I wanted to arrange a meeting with him first, and with  
20 management of Lernout & Hauspie following our meeting,  
21 with -- with Mr. Van Aerde.

22 Q Were you upset?

23 A Yes, ma'am.

24 Q Did you communicate that to Mr. Van Aerde?

25 A Yes, ma'am.

1 confirmed -- to be performed?

2 A Not at that -- not in that call, no, sir.

3 Q Did you meet with Mr. Davidson subsequent to that  
4 call, but before your trip to meet with Mr. Van Aerde?

5 A I don't think so, no.

6 Q When did you meet with Mr. Van Aerde?

7 A Again, that's a while back. I don't remember the  
8 specific date, but it was in the August/September timeframe.

9 BY MS. HEILIZER:

10 Q Could I ask you to look at your calendar, please, .  
11 because it might help you to remember? I don't know if it  
12 will, but if you take a look at your calendar, it appears to  
13 me to indicate meetings on the 30th, 31st of August and the  
14 1st of September, which is within the range of the time  
15 period you're talking about.

16 A Yes, ma'am, that's what the calendar indicates, but  
17 oftentimes my trips overseas during that time period may have  
18 moved slightly, you know, or had been canceled and may not  
19 have been reflected on the calendar, and -- but it was in the  
20 August to September timeframe.

21 Q Does looking at this help you to  
22 remember -- refresh your recollection -- by "this," I mean  
23 your calendar -- when the meeting took place?

24 A No, ma'am.

25 BY MR. LEE:

1 Q Do you remember where the meeting took place?

2 A On that trip there were two meetings held. One --

3 Q The first one?

4 A -- one with Mr. Van Aerde at the Ghent office of

5 KPMG.

6 Q At the Ghent office?

7 A Of KPMG, yes, sir.

8 Q Okay. How long did the meeting last?

9 A Approximately an hour.

10 Q Who was in that meeting?

11 A The only person I remember is Mr. Van Aerde--

12 Q What about other members of the engagement team?

13 A I don't recall any other members of the engagement

14 team being at that meeting.

15 Q What was discussed in that meeting?

16 A I explained to Mr. Van Aerde the procedures that I  
17 had thought of that would be necessary to perform as a result  
18 of the information that I had become -- been made aware of,  
19 and we -- we reached an agreement at that time as to how we  
20 would present those procedures to the company.

21 Q When you explained to Mr. Van Aerde the procedures  
22 that you would recommend, did you give him any paper listing  
23 out the procedures or you just did it verbally?

24 A I just did it verbally, but I gave it -- there was  
25 no -- I had no written -- I had not taken any notes or

1 anything regarding that.

2 Q You mentioned then, later on, you agreed to  
3 procedures that you would propose to the company. Did those  
4 procedures differ from the ones you originally proposed?

5 A Well, prior to those conversations, we had not  
6 proposed -- we had not had any procedures as a result of this  
7 information.

8 Q I understand that. What I'm trying to understand  
9 is, at the beginning of the meeting you proposed to Mr. Van  
10 Aerde certain procedures to be performed, and did Mr. Van  
11 Aerde agree to all the procedures that you proposed or did he  
12 make any recommended changes --

13 A He made no recommended changes.

14 Q So he adopted all the procedures that you proposed  
15 and those were the ones you were going to propose to the  
16 management of Lernout?

17 A He agreed that it would be necessary for him to  
18 perform those procedures and those would be the ones we would  
19 present to Lernout & Hauspie.

20 Q Were those procedures ever documented anywhere?

21 A Yes, sir.

22 Q Do you know where?

23 A Those procedures were ultimately documented in the  
24 work papers of the -- I mean of the 1999 audit of Lernout &  
25 Hauspie.

1 Q Have you actually seen them documented in the work  
2 papers?

3 A Yes, sir.

4 Q You have seen them?

5 A Yes, sir.

6 Q Were they in agreement with your understanding of  
7 what you proposed to be performed?

8 A The final procedures that he performed were in  
9 agreement with the procedures that I had proposed in  
10 August/September of 1999.

11 Q Okay. And what was the next thing after this  
12 meeting?

13 MS. HEILIZER: Can I stop you?

14 MR. LEE: Sure.

15 BY MS. HEILIZER:

16 Q Before we leave the meeting, what were the  
17 procedures that you proposed?

18 A I proposed to Mr. Van Aerde that we should request  
19 the client's assistance in obtaining a list of the investors  
20 in the various LDCs and XLDCs, that upon obtaining that list  
21 that we would -- we would send out confirmations to those  
22 investors --

23 Q Who's "we"?

24 A That KPMG, Belgium would send out the confirmation.

25 Q Okay. Now when you say "confirmations," what was

1 it you were recommending be confirmed?

2 A I don't remember each specific item, but I will  
3 give you the ones that I do remember.

4 Q Please.

5 A That we would confirm that they're independent of  
6 Lernout & Hauspie or Mr. Lernout or Mr. Hauspie or any  
7 affiliated sister company; that we confirm that there was no  
8 guarantee or obligation of buy-back or refund of the money  
9 associated with the license agreements involved; that they  
10 confirm that they had, in fact, made the investment or had an  
11 investment in the LDCs or XLDCs, and the amount of that  
12 investment.

13 Q Why were you trying to confirm that, both that the  
14 investors were contacted that had an investment in the LDC  
15 and the amount of the investment?

16 A Because we were having to obtain assistance from  
17 the client in getting the list, because it was not  
18 publicly-available information. I wanted to confirm that the  
19 list that they had given to us was an accurate reflection,  
20 and, in order to do that, we needed to confirm the amounts.

21 Q What audit assertion were you trying to confirm  
22 with respect to the independence aspect of the confirmation  
23 you just described to me and the absence of any guarantees or  
24 obligations to buy back?

25 A Well, as it related to the independence issue,

**EXHIBIT "H"**

Theo, Marc,

Here are my thoughts on the meeting with Neil Lerner yesterday afternoon.

1. It is good that the UK and International realise how serious this matter is, and that it is just not confined to Belgium.
2. Neil is as, if not more, concerned than I am that the US may decline to be further involved in the audit, irrespective of the implications in Belgium.
3. Over the years, the US has earned the majority of the fee on the engagement. The role of the US was to advise the Company and the audit team on revenue recognition issues. This is the main area where fraudulent reporting has been identified. During the debriefing meeting held with the audit committee, Brian Cave and Arthur Andersen in early November, the statement was made that, irrespective of the issue of fraud, there were indications that the business with the LDC's should not have been booked as revenue in 1999, because it was reasonable to assume even at that time that the Company would continue to be involved in the development of the technology, thereby prohibiting the recognition of revenue under US GAAP, or alternatively, that the whole deal was a case of research and development funded by others, again precluding the recognition of revenue under US GAAP. The US partner and Arthur Andersen agreed to involve their respective software accounting revenues to further investigate the matter. Nothing has come out of this, although I queried the US partner several times on the outcome of this joint review.

The 1999 financial statements were concurring partner reviewed by a US partner on secondment to Belgium.

I believe that all of this will come out in the open in the litigation. The US firm is up through its ears in this affair, and it is time to raise this issue with them.

4. The implications of the affair on our operations and the costs that it will cause to be incurred over the years are most probably massively understated. Belgium bears the brunt of the costs and of the negative implications in terms of loss of existing business and opportunities. Because of the responsibility of the US and International in this affair, Belgium should receive more than just moral support from the Firm. I think we should raise this issue, first with Colin Holland, and then higher up, and do this quickly.

Philippe Longerstaeck  
February 2, 2001